

PARK 500



*This Document contains trade secret
Information. PM v. ABC*

1994 ONE YEAR BUSINESS PLAN

CABUDGETS\BP94.WPS

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1994 ONE YEAR BUSINESS PLAN

PARAMETERS

HEADCOUNT - SALARY/HOURLY, FIXED/VARIABLE

OVERVIEW:

Salaried and hourly manning for 94 is as follows:

	<u>'93 2nd Rev.</u>	<u>'93 Act. (Sept)</u>
Salaried	181	194
Hourly		
Variable	235	233
Fixed	106	104
	522	531

ISSUE:

Personnel requirements - will evaluate and base on production demands.

OBJECTIVE:

Manning for '94 is as follows based on Salary and hourly VSP's:

	<u>'94 Manning</u>
Salaried	173
Hourly	
Variable	231
Fixed	117
	521

STRATEGIES/ACTION PLANS:

Staffing adjusted to allow flexibility to the changing production demands.

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CAPITAL PROJECT TIMELINE

The following represents the anticipated time frames for **MAJOR** capital projects which will impact the Park 500 facility in 1994.

PROJECT	START	COMPLETION
Chevron Cutter Modifications	March 1994	1995
Controls Upgrade - Line II Phase 1	June 1994	1996
Cooling Tower Replacement - Phase 1	January 1994	1994
Fourdrinier Stock Delivery	May 1994	1995
Oil Dike Rehabilitation	May 1994	1994
PG/PROPSYL Paraben Processing	November 1993	1994
Line II & III Nozzle Box Replacement	February 1994	1995

Following are some back-up numbers which demonstrate the benefits of these projects:

Chevron Cutter Modifications

Total Capital: \$600,000
1994 Capital: \$200,000
Rationale: Cost Reduction
Synopsis: Implementation of this project is projected to improve cigarette maker utilization by 1%, which would provide an estimated \$1.5 mm in annual cost savings.
Point of Contact: R. Giovenco

Controls Upgrade - Line II Phase 1

Total Capital: \$3,500,000
1994 Capital: \$600,000
Rationale: Cost Reduction (Straight Replacement)
Synopsis: The existing generation of Line II process controls equipment is currently obsolete, resulting in increasing & more difficult to fix equipment failures. A very high dependence on operator skills is currently required. Real time & historical data does not exist for the majority of important process data except for outdated strip recorders, which are a source of high maintenance costs.
Point of Contact: W. Bailey/F. McFee/J. Youell

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Cooling Tower Replacement - Phase 1

Total Capital: \$532,000
1994 Capital: \$532,000
Rationale: Straight Replacement
Synopsis: Existing evaporator, brine chiller and vacuum seal pit towers are at the end of their useful life. The basins are in need of replacing, the structural steel has deteriorated. Also, the vacuum seal water tower is undersized for existing operations.
Point of Contact: W. H. Bailey/J. F. Deck

Fourdrinier Stock Delivery

Total Capital: \$650,000
1994 Capital: \$500,000
Rationale: Straight Replacement
Synopsis: Currently operating plans are for Line II to operate at 450 ft/min in 1996. This will require replacement of the existing headbox. Line I headbox is 19 years old. This headbox is constructed of carbon steel with a stainless steel clad liner. The carbon steel is rusting resulting in warping of the headbox bottom. This warping is causing sheet streaks and basis weight variations and therefore variations of RL sheet. This Line II headbox will be moved to Line I.
Point of Contact: W. H. Bailey

Oil Dike Rehabilitation

Total Capital: \$160,000
1994 Capital: \$160,000
Rationale: Compliance with Outside Requirements
Synopsis: In the event of an uncontrolled discharge of oil, failure to have an impervious secondary containment system could result in significant costs associated with site clean up, remediation and potential fires.
Point of Contact: J. Pickelhaupt

PG/PROPYL Paraben Processing

Total Capital: \$640,000
1994 Capital: \$610,000
Rationale: Cost Reduction
Synopsis: PG/PROPYL paraben solution is currently sourced from an outside vendor. Make-up of this solution directly at Park 500 will provide an annual cost savings of \$700,000 in purchase avoidance.
Point of Contact: M. Abel

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Line II & III Nozzle Box Replacement

Total Capital: \$700,000

1994 Capital: \$350,000

Rationale: Cost Reduction/Straight Replacement

Synopsis: With the existing slotted design nozzles the velocity of air is higher in the middle portion of the dryer & therefore the RL sheet than on the edges. This non-uniformity of air flow results in the middle of the sheet being dryer than the edges due to the higher air flow in the middle. The difference in drying is approximately seven to nine % oven volatiles (OV).

Point of Contact: W. Bailey/E. Joyner

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RESOURCE ALLOCATION

PROJECT

RL Reconfiguration
Controls Upgrade Line II Phase 1
Fourdrinier Stock Delivery
Chevron Cutter Modification
Oil Dike Area Rehabilitation
Management of Solubles
Improve Scrap Yield

RESOURCES REQUIRED

Engineering & I.S.
Engineering
Engineering
Engineering
Engineering
Engineering & R&D
Engineering & R&D

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9/30/93

PARK 500
1994 ORIGINAL BUDGET VS. 1993 SECOND REVISED

	<u>1994 ORIGINAL BUDGET</u>	<u>1993 SECOND REVISED</u>	<u>VARIANCE DECREASE/ INCREASE*</u>
<u>PERFORMANCE PARAMETERS</u>			
PRODUCTION LBS. (000'S)	155,063	136,370	18,693
PRODUCTION DAYS	323.7	292.0	31.7
PROCESS YIELD %	86.7%	85.7%	1.0%
OUTPUT/HOUR	19,960	19,459	501
<u>PERSONNEL SUMMARY</u>			
TOTAL SALARIED	173	181	8
TOTAL FIXED HOURLY	117	106	11*
TOTAL VARIABLE HOURLY	<u>231</u>	<u>235</u>	<u>4</u>
TOTAL	<u>521</u>	<u>522</u>	<u>1</u>

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PARK 500
1994 ORIGINAL BUDGET
FIXED COST ANALYSIS
(\$000'S)

EXPENSE ELEMENT	1994 ORIGINAL BUDGET	MAJOR COMPONENTS OF 1994 EXPENSE
Salaries/Benefits	\$13,593	173 Salaried Positions
Salaried OT/Benefits	368	Environmental & Process Engineering - \$235, QA Lab - \$102, Admin. - \$31
Hourly Wages/Benefits	9,667	90 Multi-Craft Positions - \$6,853, 18 Boiler Operators - \$1,471, Clean- Up - \$417, 5 Lubricators/Inspectors - \$355, 4 Gen. Laborers - \$254, Lump Sum - \$182, UT/A Bonus - \$90, Shift Diff - \$45
Trainee Wages/Benefits	197	Multi- Craft - \$109, Power Plant Boiler Operators - \$88
Lapsed Time/Benefits	21	Maintenance & Engineering
Hourly OT/Benefits	1,600	Coverage & Manning for 95 Craft - \$1,323, Coverage & Manning for 18 Boiler Operators - \$277
Purchased Services	7,371	Painting - \$1,474, Production - \$1,160, Trash Collection - \$1,019, Power Plant - \$547, Bldg & Plant Services - \$593, Cleaning & Grounds - \$543, Insulation - \$500, Maint. & Eng. - \$355, Stockroom Outsource Contract - \$304, Environmental & Process Eng. - \$237, Plant Mgmt & Supervision - \$270, Professional Services - \$214, Tech Rep - \$129, QA Lab - \$26
Repair Parts	1,692	Power Plant - \$678, Obsolescence - \$464, Environmental - \$315, Bldg & Plant Services - \$228, Other - \$7
Operating Supplies	2,414	Water Treatment - \$817, Tobacco/ODM - \$520, Maintenance - \$395, Operating - \$219, QA Lab - \$172, Misc. Equip. - \$132, Office Supplies - \$88, Safety Equip. - \$40, Cleaning - \$31
Other Fixed Expenses	773	Telephone - \$297, Loss/Dis Fixed Assets - \$193, Travel/Seminars/Meals - \$228, Rentals - \$145, Misc. - \$45, Water & Sewer - \$23, Auto Exp. - \$22, Emp. Relations - \$18, Publications - \$17, Dues - \$16, Other - \$22, Maint. Service Labor - (\$219), Misc. Credits - (\$34)
SUB-TOTAL RECURRING CONSTANT \$	\$37,696	
Non-recurring Project Costs	410	Oil Dike - \$235, Cooling Tower - \$100, PG/Paraben - \$40, Nozzle Box - \$35
Depreciation, Insurance & Taxes	19,561	Depreciation - \$18,622, Taxes - \$713, Insurance - \$226
TOTAL CONSTANT \$	\$57,667	
Inflation	294	
1994 ORIGINAL BUDGET	<u>\$57,961</u>	

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PARK 500
FIXED SPENDING & VARIANCE EXPLANATIONS
1994 ORIGINAL BUDGET VS. 1993 SECOND REVISED
(\$000'S)

	1994 ORIGINAL BUDGET	1993 SECOND REVISED	VARIANCE SECOND REVISED FAV/UNFAV*	EXPLANATION OF VARIANCE
Salaries/Benefits	\$13,593	\$15,800	\$2,207	Reduction of 28 Salaried Positions due to Voluntary Separation Program & Restructuring after B100 Shutdown - \$2,117; Annualization - \$90
Salaried OT/Benefits	368	166	98	Outsource Stockroom - \$76, Maint. & Eng. - \$15, Environmental - \$10, Admin. - \$10, QA Lab - \$13
Hourly Wages/Benefits	9,667	9,215	-452	95 Craft Budgeted for 155M LBS vs 85 in 2nd Rev, Currently Staffed at 104 - \$497 ⁺ Oper. Schedule Boiler Operators - \$243 ⁺ , Clean Up - \$167, Lump Sum - \$121
Trainee Wages/Benefits	197	163	26 ⁺	Multi Craft - \$338, Training (Q1, CBP, OSHA) for Boiler Operators - \$72 ⁺
Lapsed Time/Benefits	21		21 ⁺	Previously Budgeted as Maint. Labor
Hourly OT/Benefits	1,600	1,135	-465 ⁺	Multi Craft Coverage & Manning due to Operating Schedule
Purchased Services	7,371	5,913	-1,458 ⁺	Painting - \$1,067 ⁺ , Stockroom Outsource - \$304 ⁺ , Professional Serv. - \$214 ⁺ , Trash Collection - \$105 ⁺ , Cleaning & Grounds - \$26 ⁺ , Other - \$188
Operating Supplies	2,414	2,413	-1 ⁺	Tobacco/ODM - \$324 ⁺ , Operating - \$118 ⁺ , Water Treatment - \$113 ⁺ , Safety Equip - \$57, Lab - \$46, Misc. Equip. - \$43, Maint. - \$22, Other - \$18
Other	2,465	1,822	-643 ⁺	Cost Transfers Site - \$759 ⁺ , Repair Parts - \$181 ⁺ , Telephone - \$59 ⁺ , Loss on Disposal - \$18 ⁺ , Parts Obsolescence - \$214, Misc - \$45, Rentals - \$12, Travel/Meals/Seminars - \$40, Other - \$33
RECURRING COSTS	\$37,696	\$36,789	\$907⁺	
Non-recurring Project Costs	410	856	-446	Sludge Disposal - \$600, Electrical System Upgrade - \$131, Potassium Nitrate & Sludge Digestion Study - \$75, #2 Turbine Rebuild - \$50, Oil Dike - \$235 ⁺ , Cooling Tower - \$100 ⁺ , PGI/Paraben - \$10 ⁺ , Nozzle Box - \$35 ⁺
Depreciation, Insurance, & Taxes	19,561	19,221	-340 ⁺	Depreciation - \$38 ⁺ , Insurance - \$18 ⁺ , Taxes - \$10 ⁺
TOTAL, CONSTANT \$	\$57,667	\$56,866	\$801⁺	

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**PARK 500
1994 ORIGINAL CAPITAL BUDGET**

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CHI-SQUARE APPROXIMATIONS

PARK 500
BUSINESS DIRECTION STATEMENT

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Philippines

Mission:

The mission of Park 500 is to continuously improve by following the Principles of Q500 to maximize quality in all Park 500 activities. These areas include: cost management, product/process quality and worklife. In order to fulfill our mission we will maintain an environment that encourages appropriate decision making, creativity and innovation.

Major Areas of Opportunity:

RL Reconfiguration - Investigate the feasibility of consolidating selected, independently operating process areas on three lines into centralized operations with the potential for savings in staffing, energy and spare parts. An additional facet of this project is to evaluate the merits of a centralized RL and BL blend operation and the feasibility of relocating the Blended Leaf process to Park 500.

TQM Information System and Controls Upgrade - A Multi-Phase plan for updating obsolete control instrumentation, managing data intensive Q500 systems and providing an infrastructure for accumulation of process data has been developed. We project that savings from reducing administrative support requirements, increased problem solving efficiency, reduced response time to out-of-control conditions, increased productivity and decreased O/T requirements will provide an adequate ROI.

Alternative Operating Schedules - Operate the three production lines on independent operating schedules contingent upon production demand and the availability of capital funding for productivity enhancing projects. Potential benefits include reduced staffing requirements, increased production scheduling flexibility, reduced maintenance O/T and utility savings.

Management of Solubles - Currently, there is excess variation in the finished sheet solubles. Lines 1, 2, & 3 combined shed at a rate of 2.5 mm pound of solubles/year. This equates to a potential savings of 650,000 million/year. A reduction in shedding of solubles would increase yield, reduce cost/lb and improve the consistency of finished sheet quality.

Improve Scrap Tobacco Yield - Monthly production yield is 86.6% which includes flavors. In order to improve the scrap yield and reduce OTM cost/lb, several alternate techniques to add scrap and class tobacco to the process will be evaluated.

RL Pad Elimination - RL pads are the number one complaint received from our customers. Eliminating pads have a potential annual cost savings of \$600,000. This cost savings is based on elimination of pad reprocessing, and potential manpower reductions in the primaries (pad pickers) and reduced primary maintenance costs.

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Issues:

The age of the facility, control instrumentation, and equipment at Park 500 increases our sensitivity to further reductions in our operating budget or postponements of capital investment in productivity enhancing systems.

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